

February 10, 2009

Members of the Senate Taxation Committee:

Re: Economic Impacts of Senate Bill 37

My name is Dale Horton (406/494-8653, daleh@ncat) and I am the Sustainable Energy Program Manager for the National Center for Appropriate Technology (NCAT), a non-profit organization based in Butte.

The investments in energy conservation that will result from Senate Bill 37 will have a positive economic impact on the Montana economy. Shifting residential expenditures from energy costs to conservation investments puts dollars into the local economy while putting Montanan's to work.

The state of Montana has conducted no economic impact assessment of residential and business energy conservation tax credits but the Oregon Department of Energy performs an annual assessment of the economic impacts of a similar tax credit program in that state. The most recent Oregon assessment was released February 2, 2009. The Oregon analysis represents the best information available about the economic impacts of energy conservation tax credits.

In 2007 Oregon residents received \$12,474,469 in conservation tax credits. The fiscal note on Senate Bill 37 estimates that income tax credits, that will be taken in 2009 as a result of Senate Bill 37 to be \$4,439,881. A rough approximation of the economic impact of residential energy conservation tax credits as a result of Senate Bill 37, if results are similar to those in Oregon, can be derived by applying the economic impact of the Oregon assessment based on a per dollar of tax credit.

Following are the results of this calculation for 2009:

- Projected Montana tax credit amount as a result of Senate Bill 37 will be \$4,439,881
- The tax credit incremental measure spending by taxpayers will be \$24,737,330
- The output of the Montana economy will increase by \$13,053,910
- 37 New jobs will be created
- Montana wages will increase by \$1,227,410
- Tax revenues for state and local governments will increase by \$1,103,610

Following are the results of this calculation for 2009-2012, the four-year period of the fiscal note:

- Projected Montana tax credit amount as a result of Senate Bill 37 will be \$18,442,390
- The tax credit incremental measure spending by taxpayers will be \$102,753,991
- The output of the Montana Economy will increase by \$54,223,368
- Tax revenues for state and local governments will increase by \$4,584,177

The most recent Oregon conservation tax credit study (Economic Impacts of Oregon Energy Tax Credit Programs in 2007 and 2008 Final Report, February 2, 2009;

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72
http://oregon.gov/ENERGY/CONS/BUS/BETC.shtml) assesses economic impact for both residential and business tax credits from January 2007 through October 2008.

Because the assessment reports residential and business tax credit impacts separately the values above are based only on information about the residential tax credit.

The Oregon residential conservation tax credits apply to appliances, space heating and cooling systems, water heaters, and hybrid and alternative fuel vehicles and include renewable energy measures such as solar, wind, fuel cell, and geothermal systems.

Montana's residential conservation tax credits apply only to building envelope improvements, space heating and cooling systems, water heaters, and lighting.

Refrigeration would be eligible for the tax credits under Senate Bill 37 only for rental housing.

The Oregon residential conservation tax credit is generally limited to 25% of the taxpayer's expenditure. In the past the Oregon residential conservation tax credit has been limited to \$1,000 but currently the maximum amount of the tax credit varies by the type of equipment that is installed. The current Montana residential conservation tax credit is limited to 25% of the expenditure not to exceed \$500. Senate Bill 37 would raise that limit to \$800.

Comparing the state and local tax structures of Oregon and Washington is beyond the scope of this quick analysis but it is worth noting that neither Oregon nor Montana have a general sales tax. Montana is more reliant on property taxes for total state tax revenue than Oregon. Oregon is more reliant on income taxes for total state tax revenue than Montana.

The Oregon experience indicates that energy conservation tax credits are good business for Montana. I urge you to support Senate Bill 37.